

AuditOne Advisory

From Bud Genovese, CEO

Cost-Effectively Managing Risk with Smaller Budgets

2008 is coming in with a roar, but that sound may be in many cases the pained cries of bank risk managers lamenting their diminished budgets. Banks are currently under financial pressure to lower costs and cut budgets, and as a result, many will or already have decreased their budgets for internal audit and credit review risk management programs. But cutting the internal audit budget need not mean a greater exposure to risk. There's a safe, sound and cost-effective tool that helps manage risk in times of budget cuts. It's called an enterprise-wide risk assessment.

The enterprise-wide bank risk assessment identifies the major services, products and functions of the bank. A "risk" score is then assigned for each major risk criteria based upon the transaction activity and overall operating environment of the function. The risk factors are based upon activity relative to the overall assets, income and losses of the bank, and then ranked by degree of risk -- Minimal, Low, Moderate, High or Priority. Based upon this ranking, suggested internal audit program scoping and frequency is recommended.

What this means is that your bank may discover through the enterprise-wide risk assessment that it may not need to audit each branch every year. An audit once every other year may be enough for certain branches, or for note operations, or for central operations or for other bank functions.

By identifying the real risk inherent in all the bank's functions, a limited budget can be spread strategically over the bank's functions and calendar year, ensuring audit resources are directed toward appropriate risk management areas. In other words, you get more bang for your buck.

Additionally, regulators are increasingly criticizing banks during safety and soundness examinations for not adequately completing overall risk assessments to direct their internal audit programs. Criticism in this area can adversely affect a bank's management score.

AuditOne's team of highly knowledgeable and skilled auditors can perform our proprietary, risk-based, cost-effective enterprise-wide risk assessment for most banks in just a few days. Many of our clients conduct these annually, and they are usually performed in the beginning of the year. As the howls caused by pinched budgets drown out the happy New Year cheers, an enterprise-wide risk assessment may be just the ticket to a safe and sound 2008 internal audit risk management strategy. Give me a call and I'll be happy explain the simple process.

Bud Genovese is founder and CEO of AuditOne LLC, a California-based internal audit firm that focuses only on banks and their service providers. Mr. Genovese pioneered the concept of providing comprehensive, affordable, independent internal audit services by gathering wide-ranging, world-class expertise within one firm AuditOne now serves over 130 clients throughout the Western United States, and nationally. Contact Bud Genovese at 408-980-8099 or bud.genovese@auditone.com